National Research Council Canada

Statement outlining results, risks and significant changes in operations, personnel and programs

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1. Introduction

The Government of Canada uses financial information to support decision making, for policy development, for service delivery and for historical reference. These financial statements have been prepared to respond to these requirements. This Departmental Quarterly Financial Report (QFR) reflects the results of the current fiscal period in relation to the Main Estimates and Supplementary Estimates (A). The QFR should be read in conjunction with the Main Estimates, Supplementary Estimates (A) as well as Canada's Economic Action Plan (Budget 2012, Budget 2013, Budget 2014 and Budget 2015). They have been prepared by management as required by section 65.1 of the *Financial Administration Act (R.S.C., 1985, c. F-11)* and in the form and manner prescribed by the Treasury Board of Canada Secretariat. Although these statements have not been subject to an external audit or review, the National Research Council Canada (NRC) attests that they are an accurate and true reflection of the financial position for the period ending December 31, 2015.

1.1 NRC Mandate

The NRC exists under the *National Research Council Act (R.S.C., 1985, c. N-15)* and is a Departmental corporation named in Schedule II of the *Financial Administration Act (R.S.C., 1985, c. F-11)*. The mission of the NRC is to work with clients and partners to provide innovation support, strategic research, and scientific and technical services to develop and deploy solutions to meet Canada's current and future industrial and societal needs.

Under the *National Research Council Act (R.S.C., 1985, c. N-15)*, the NRC is responsible for:

- Undertaking, assisting or promoting scientific and industrial research in fields of importance to Canada;
- Providing vital scientific and technological services to the research and industrial communities;
- Investigating standards and methods of measurement;
- Working on the standardization and certification of scientific and technical apparatus, instruments and materials used or usable by Canadian industry;
- Operating and administering any astronomical observatories established or maintained by the Government of Canada;
- Establishing, operating and maintaining a national science library; and
- Publishing and selling or otherwise distributing such scientific and technical information as the Council deems necessary.

Further details on the NRC's legislative framework, authority, mandate and program activities can be found in Part II of the Main Estimates and the Report on Plans and Priorities.

1.2 Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the NRC's spending authorities granted by Parliament and those used by the NRC consistent with the Main Estimates and Supplementary Estimates (A) for 2015-16. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use for spending authorities.

The authority of Parliament is required before moneys can be spent by the Government of Canada. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes (pursuant to paragraph 5(1)(e) of the *National Research Council Act (R.S.C., 1985, c. N-15)*, the NRC has authority to expend revenues it has received through the conduct of its operations).

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act (R.S.C., 1985, c. F-11)* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government of Canada to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The NRC uses the full accrual method of accounting to prepare and present its annual departmental financial statements which are part of the Departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

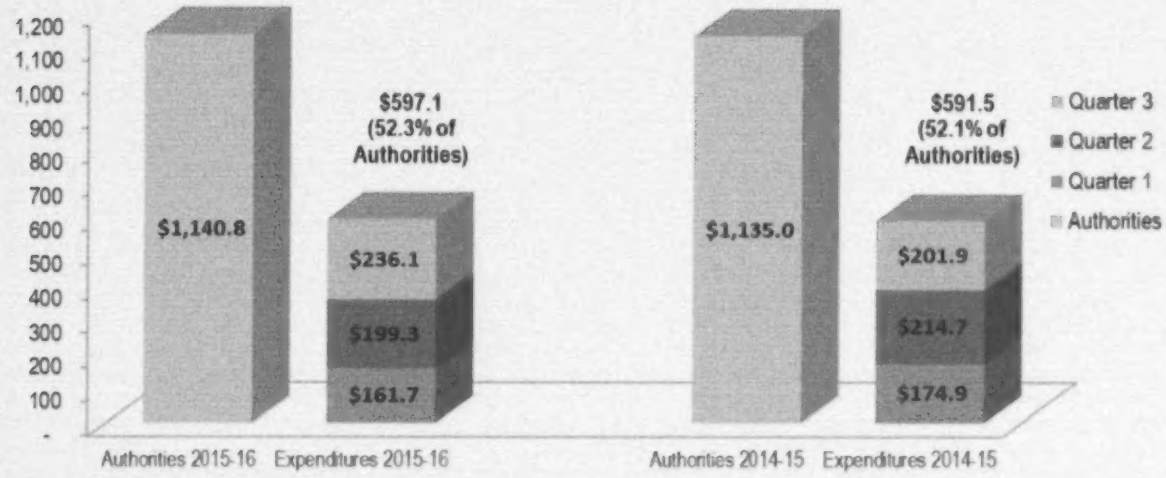
2. Highlights of Fiscal Quarter and Fiscal Year to Date (YTD) results

This section highlights the items that contributed most significantly to the changes in budgetary authorities for the current fiscal year and to the actual expenditures for the quarter that ended on December 31, 2015 compared with the previous fiscal year. This section should be read in conjunction with the NRC's tables entitled Statement of Authorities and Departmental budgetary expenditures by Standard Object found on the last 2 pages of this report.

2.1 Authorities and Expenditures

The following graph provides a comparison of the budgetary authorities and expenditures as of December 31, 2015 and those as of December 31, 2014.

Comparison of Budgetary Authorities and Expenditures as of December 31, 2015 and December 31, 2014
(in millions of dollars)



As shown in the graph above, the NRC's expenditures totalled $236.1M during the third quarter of 2015-16 which represents an increase of $34.2M over the second quarter of 2014-15. Higher expenditures are mainly attributable to the increase of $31.9M of in Grants and Contributions due principally to timing differences. Refer to 2.3 Significant Changes to Budgetary Expenditures for additional details.

2.2 Significant Changes to Authorities

For the period ending December 31, 2015, the authorities provided to the NRC include the Main Estimates, Supplementary Estimates (A), the Statutory revenue authorities carried forward from 2014-2015 as well as all authorities received from Treasury Board of Canada Secretariat Votes. There has been no significant change to NRC's authorities since September 30, 2015.

2.3 Significant Changes to Budgetary Expenditures

This section should be read in conjunction with the NRC's tables entitled Statement of Authorities and Departmental budgetary expenditures by Standard Object both located at the end of this report.

2.3.1 Variances in Year-to-date Expenditures

As of December 31, 2015, year-to-date expenditures were $597.1M, representing an increase of $5.6M (1.0%) in comparison to the 2014-15 expenditures of the same period. The increase is principally attributable to an increase of $39.9M in transfer payments and $7.5M in capital expenditures offset by a decrease of $40.6M in operating and statutory expenditures as detailed below:

- Transfer payments consisting of Grants and Contributions (G&C) expenditures increased by $39.9M compared with the same period in the previous year. The change is principally attributable to an increase for the same period due to timing in contribution payments to Firms of $13.4M, to Youth Employment Strategy of $9.9M, to the Business Innovation Access Program of $5.0M and to the Canada Accelerator and Incubator Program of $4.5M. The variation in G&C is also attributable to an increase of $5.8M in contribution payments to TRIUMF which is the result of additional funding NRC received for this specific program.

- Capital expenditures increased by $7.5M. The increase is mainly attributable to the 2014 Infrastructure Funding Initiative.

- Combined operating and statutory revenue expenditure decreased by $40.6M compared with the same period of the previous fiscal year. This change is mainly attributable to a decrease of $35.4M in personnel, a decrease $13.5M in other subsidies and payments, offset by increases of $3.4M in repairs and maintenance and $3.3M in professional fees. The $35.4M decrease in personnel cost is largely due to the ratification of several collective agreements in 2014-15, which has resulted in one-time prior-year retroactive payments of $16.7M, and a one-time severance payments of $22.7M in 2014-15. The decrease in other subsidies and payments is mainly due to the $11.6M transition payment in 2014-15 for implementing salary payments in arrears by the Government of Canada. The increase in repairs and maintenance is mainly attributable to an increase in office building repairs of $1.3M and in repairs of engineering works of $0.9M. The increase in professional fees is mainly attributable to an increase in temporary help services of $1.4M and in engineering consultation of $0.9M.

3. Risks and Uncertainties

There were no changes to corporate risks identified by NRC's senior executives for the quarter ended December 31, 2015.

4. Significant changes in relation to operations, personnel and programs

There were no significant changes to operations, programs or personnel for the quarter ended December 31, 2015.

Approved by Senior Officials

Approved by:

John R. McDougall, P.Eng.
President

Michel A. Piché, M.P.A., CPA, CMA, CIA
Vice-President, Corporate Management
and Chief Financial Officer

Ottawa, Canada
February 25, 2016

Statement of Authorities (unaudited)
For the quarter ended December 31, 2015

	Fiscal Year 2015-16 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2016 *	Used during the quarter ended December 31, 2015	Year to date used at quarter-end
Vote 1 - Operating expenditures	402,097	88,715	250,323
Vote 5 - Capital expenditures	59,088	11,278	18,065
Vote 10 - Grants and contributions	307,659	88,541	184,993
Statutory revenue **	322,535	36,984	112,041
Statutory EBP	49,427	10,551	31,654
Total Budgetary authorities	1,140,804	236,069	597,076

	Fiscal Year 2014-15 (in thousands of dollars)		
	Total available for use for the year ending March 31, 2015 *	Used during the quarter ended December 31, 2014	Year to date used at quarter-end
Vote 1 - Operating expenditures	423,189	103,673	333,706
Vote 5 - Capital expenditures	32,148	3,737	10,542
Vote 10 - Grants and contributions	281,264	56,564	145,060
Statutory revenue **	44,361	27,028	69,290
Statutory EBP	354,010	10,975	32,925
Total Budgetary authorities	1,134,972	201,977	591,523

** Includes only Authorities available for use and granted by Parliament at quarter-end.*

*** Includes Statutory Revenue available for use in future years pursuant to paragraph 5(1)(e) of the National Research Council Act (R.S.C., 1985, c. N-15).*

Departmental budgetary expenditures by Standard Object (unaudited)
For the quarter ended December 31, 2015

	Fiscal Year 2015-2016 (in thousands of dollars)		
	Planned expenditures for the year ending March 31, 2016	Expended during the quarter ended December 31, 2015	Year to date used at quarter-end
Expenditures:			
Personnel	484,622	95,147	285,230
Transportation and communications	20,803	3,722	9,626
Information	2,061	367	1,064
Professional and special services	86,787	9,216	27,041
Rentals	9,502	1,852	5,407
Purchased repair and maintenance	28,038	5,469	13,264
Utilities, materials and supplies	66,147	10,559	24,720
Acquisition of land, buildings and works	33,955	5,549	9,463
Acquisition of machinery and equipment	93,645	13,932	27,416
Transfer payments	307,659	88,541	104,983
Other subsidies and payments	27,585	1,715	8,626
Total net budgetary expenditures	1,140,804	236,069	567,076

	Fiscal Year 2014-2015 (in thousands of dollars)		
	Planned expenditures for the year ending March 31, 2015	Expended during the quarter ended December 31, 2014	Year to date used at quarter-end
Expenditures:			
Personnel	451,887	101,658	320,596
Transportation and communications	25,100	3,724	9,925
Information	3,586	423	969
Professional and special services	108,172	8,987	23,699
Rentals	8,445	1,324	4,708
Purchased repair and maintenance	37,132	4,277	9,796
Utilities, materials and supplies	110,409	11,938	25,450
Acquisition of land, buildings and works	16,574	3,250	7,829
Acquisition of machinery and equipment	62,188	9,541	21,381
Transfer payments	291,264	58,564	146,060
Other subsidies and payments	30,215	291	22,131
Total net budgetary expenditures	1,134,972	201,977	591,523